The workshop meeting of the Council of the City of Vadnais Heights was held on the above date and called to order by Mayor Gunderson at 3:06 p.m.

The following members were present: Mayor Heidi Gunderson, Council Members: Patricia Youker, Greg Urban and Bob Morse. The following member was absent: Craig Johnson.

Also present were: City Administrator Kevin Watson, Assistant City Administrator Tim Sandvik, Planning/Community Development Director Nolan Wall, Public Works Director Jesse Farrell, Finance Director Bob Sundberg, Fire Chief Ed Leier, and Deputy City Clerk Peggy Aho.

1. **2020 Budget Discussion**

City Administrator Watson gave a recap of what the Council has discussed over the past few meetings, and said that now it’s time for the Council to give staff direction on what their priorities are.

Watson noted that the memo included in the last meeting packet had information on hiring for communication work. He said that staff have looked around and talked to other cities that are doing a part time communications person on staff. Watson said perhaps the City could start with a part time person or contract for the services. He reviewed a proposal from Goff. He also has talked with CTV for the web casting services and they also do some communications/social media campaigns.

Watson thinks we could do the basics of social media narrowed down and thinks we are looking for more of a robust effort. Looking at $35,000 if we pay somebody $30 an hour.

Council Member Urban said that we are not here today to pick someone or pick a way to do communications, we are here to work on the budget. He said he does have some thoughts on how the City could do communications better or cheaper than hiring someone.

Mayor Gunderson agrees, perhaps at some time we could decide if we want to dedicate a certain amount of money towards communications. Urban said it’s going to come down to what each person has an idea in their mind, a figure, and if they would be comfortable budgeting for communications. Watson replied yes he is just looking to get a placeholder in the budget for this line item and then, the Council can discuss it later this year or early next year to pursue something.

Gunderson said we also left off on how to fund the streets and whether we are going to look at altering our current franchise fees. Is it enough, or not? In her mind it depends on how we move forward with the 2020 budget.
Watson said if the City wants to increase its franchise fees with Xcel and others, it would involve campaigning, communications with the community and businesses, and holding open forums with groups to discuss what the plan is. Watson said is should be fairly easy. In comparison with other cities, our fees are quite a bit less. It will just take communicating with Xcel and Connexus and working through their process. Whatever we decide for 2020 won’t be affected by an increased amount to the franchise fee. Having a plan in place is part of the puzzle piece.

Watson said Council Member Johnson’s number one priority for the City’s budget is adding to the budget line item for street improvements. Watson said that the City could certainly build up a funding stream that can pay for some of the more minor improvements that Council Member Urban would like.

Urban asked when will we have a report that may make some recommendations from WSB. Farrell said that they can finalize that report at any time. Urban said it may make sense to get that in front of the Council so that it can look for ideas on budgeting in the future that aren’t part of our programs at this time. Farrell said if we spend about $1.2 million a year we can stay where we are at, $1.5 we could make modest improvements, and at $1.8 we could get on top of it. He is not going to ask for $1.5 or $1.8 at this time. He said that $400,000 and assessments to $800,000 and State Aid, we would get over $1 million. He thinks that is a good step.

Gunderson said if we aren’t going to move forward with increasing franchise fees, to have a more active maintenance program with more funding. Urban said for this year we can look at that and then next year look at other alternatives. Gunderson asked if the $100,000 is enough for this year if we aren’t going to raise the franchise fees. If there is not an appetite to move forward with new franchise fee rates, then perhaps that budget should have more money for street improvements this year.

Urban said that the City’s street projects are quite small, are we getting competitive prices even though the projects are small. Farrell responded yes. Urban asked if it would be best to save up the funds over a few years so to have larger projects and perhaps get better pricing? Farrell responded that he thinks it’s important to go out each year.

Urban asked if the City should keep the discussion going on the franchise fee, or take money out of the general fund or transfer out of the sewer funds which we have always agreed that are higher than they need to be. He said we could look at a transfer this year. Morse asked if the City were to transfer funds from one fund to another and would they then replace them? Urban perhaps not, we have a lot of users in our City that don’t pay property taxes and don’t pay into the general fund for that but they do use the City’s sewer and water system and we have fees on those. He said that some of those funds could be used for street improvements.

Finance Director Sundberg said that we currently transfer $500,000 out each year but it would be best not to do this every year.
Gunderson said that those fund levels keep going down if we continue to transfer money out. We know it’s a need, how we get there, she doesn’t know. She said that she thinks a good street improvement program is important. Farrell said that an increase to the franchise fees would be a good bump for the budget.

Council Member Youker asked how much is charged for franchise fees at this time. Watson said it’s a fixed number, about $2.50 for gas and $1.50 for electric.

Morse said that it is imperative that the City fix the streets.

Urban said that he would propose that an additional $100,000 be added to the budget for street improvements, perhaps moving the funds from the utility fund, and that we need to figure how much we want to try to increase the street improvement budget for this year and we need to have an idea where that money will come from. Sundberg said that we could take it from the CIP fund, which long term would have to be replenished.

Urban said that streets do closely tie into our utilities so it would not be a misuse of the money if transferred out of the utility fund to street improvements. Sundberg said that some cities allocate certain pieces of a street improvements to various funds.

Farrell said that he would want to look at five good years of doing utility projects and attack all needed improvements and then see where we are at before drawing down the utility fund. He said that at this time a lot of our facilities are fairly new, but at some time the City will have someone that manages the asset management plan.

Gunderson said that we had the facility analysis done by LHB and we got a bunch of stuff with small print and the Council at that time talked about how they wanted a chart that shows a timeline when things will need to be improved or replaced, expected useful life. We are missing that information. Watson said that staff have met with the auditor about getting the report done and, frankly, staff are still catching up with staff turnover, and they planned on bringing it back later this year. Sundberg said that the LHB report did not come out with what staff were hoping for, for example what is the appropriate fund balance. The Council and staff discussed how to get that report completed with the information that the Council can use to plan for the future. Gunderson said that we talk about things like the asset survey and hopes that someday we will have that done but at this time the Council needs to work on setting the preliminary levy and work on the 2020 budget. We could go through department by department, but she doesn’t want to do what’s been done in the past such as giving staff a number and telling them to make it work.

Urban asked what the goal is for this meeting. Sundberg said that the Council needs to set the preliminary maximum levy amount for 2020 and tell the County by the end of September and then set the public hearing date. Urban thinks politically there is a percentage that people will find acceptable and we need to work within that as to where we can set and then work back from there but at some point we need to get to an idea of a
maximum levy. Gunderson said that there is a number that people will politically accept but she asked is that a responsible number.

Youker asked if the City raises the franchise fees would the City then not have to do as much for the levy. Sundberg responded yes. Gunderson noted that the City would not realize the benefit of increased franchise fees until 2021. Morse asked about the idea of transferring funds from the utility account to temporarily fund the needs for the streets and then replenish them later with the franchise fees. Morse said his goal would be to be able to realize funding for street improvements. Watson said that Sundberg mentioned that we have a capital fund that we could do a one time transfer from each year, but the Mayor is wondering where the Council needs to be in 2020 to increase the franchise fees so that after that the City would no longer need to transfer funds again. Watson said that the City needs to commit to the bigger projects.

Watson reviewed the 2020 Levy Analysis chart which showed what would be funded at various levy level increases.

Urban said that at some point during the next week the Council needs to come up with its maximum levy amount. He proposed to set the maximum levy at 7%, and then the Council will have time to dial it in, along with that, taking $100,000 out of reserves to go towards streets. At this time, he would leave open how the 7% would be spent. And he would also be okay with raising the franchise fees in the future. Sundberg noted that the 7% has $100,000 for street improvements and then a transfer from a fund would not be necessary. Urban said that the only thing he doesn’t like is the Commons pergola.

Gunderson asked if Council Members Youker and Morse have a maximum number in mind for the levy. Youker said that 7% seems high but that is the maximum and we would work down from there. Urban replied that he would support a lower one he just didn’t know what the comfort level would be for other. Morse said he was thinking 4% levy. Gunderson said she was thinking in the 9% range, but if Urban is proposing 7% with a $100,000 transfer, she would be okay with that.

Gunderson said that she thinks that setting the maximum levy at 8% would work because it would come down, but she wants to set it based on a number we can justify and be able to tell the public what we are basing our decision on. She said that she could live with the 7% with the $100,000 in it and not have to transfer $100,000 from another fund.

Watson brought up the Kohler Trail Task Force’s recommendation that the City do a full survey of the north side of the road. He said that the City needs to put a plan in place to try and find funding for the trail in later years. Staff estimate that a full survey would cost about $40,000 but since the County has done some survey work in the area already, $25,000 should cover the cost. He noted that the cost of this survey is not included in the draft budget, but it is a priority. He said that this should be done in 2020. Watson said that the $25,000 could fit in the 7%.
Urban said that he thinks 7% could handle the majority of what staff want to do. Gunderson said she could agree on that and asked how the other Council Members feel about this number.

Fire Chief Leier said that there is a storm coming, the Fire Department has needs in 2022 that have to be met. He said that the City may want to look at a long-term funding plan for the capital improvements. Gunderson and Youker agreed that the City does need a plan for the future. Watson said if we do the 7% but don’t use it all, it would go towards funding future needs.

Council Member Youker said that she is comfortable with 7%. Gunderson again noted that it will be dialed back. Urban recommended a 6.9% levy maximum with the thought that it will be dialed back. Morse said he could agree with that. All Council Members agreed.

Watson noted that the Council hasn’t talked about any of the utility expenses which Public Works Director Farrell talked about at the last meeting included a vac truck, ditch maintenance project, etc.. All of the proposed expenditures would be funded by the utility funds. Watson said that perhaps we can talk about those expenditures at a later date if the Council wishes. He noted that the Council does need to be prepared to act on the 2020 Budget in December. Gunderson suggested have a conversation about this at the next Workshop. Watson said that the Budget discussion will be brought back at another Workshop in October and/or November.

Gunderson we will discuss the utility projects, decide whether to approve or not approve 2020 public works expenditures and identify capital purchases or projects and how much do we need to levy and how much does it change if any from 6.9%.

Motion to adjourn at 4:37 p.m. by Council Member Youker.

Respectfully submitted,

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Kevin Watson, City Administrator